

May 30, 2007

WC Docket No 07-150

Albert Lewis
Acting Division Chief, Pricing Policy Division
Federal Communications Commission
Room A225
445 12th Street SW
Washington, DC 20554

FILED/ACCEPTED

JUL 18 2007

Federal Communications Commission
Office of the Secretary

RE: Brazos Telephone Cooperative, Inc. – Study Area 442041
Prepaid Other Post-retirement Employee Benefits

Dear Mr. Lewis:

By this letter, Brazos Telephone Cooperative (Brazos) requests that the Commission grant it the authority to include in its rate base the interstate portion of its prepaid Other Post-retirement Employee Benefits (OPEB).

Background

Brazos is a rate of return incumbent local exchange carrier (ILEC), and it participates in the National Exchange Carrier Association (NECA) common line and traffic sensitive pools. Brazos serves approximately 5,800 lines in the state of Texas. As a NECA pool participant, Brazos is an issuing carrier for the NECA access tariff, NECA Tariff F.C.C. No. 5, and bills rates prescribed in that tariff.

Brazos engages CHR Solutions, Inc. (CHR) to assist in completing its annual cost separations studies used in reporting its interstate costs to NECA. These costs are included in the NECA pools. Brazos's rate base is a key factor in the determination of its revenue requirement for each of the NECA pools.

As a benefit to its employees, Brazos offers post-retirement benefits, including health care and life insurance. These benefits are generally referred to as "Other Post-retirement Employee Benefits" (OPEB). These benefits are pre-funded by Brazos through a pre-funding trust sponsored by the National Telephone Cooperative Association (NTCA). Brazos's financial statements reflect an OPEB related prepaid balance includable in Account 1410 of \$1,560,000 as of December 31, 2006.

Section 65.820(c) of the Commission's rules allows inclusion of amounts in Account 1410 in the rate base, "only to the extent that they have been specifically approved by this

Commission for inclusion.”¹ In its 1997 Part 65 OPEB Treatment Order, the Commission established that where a carrier “can show that any of its assets recorded in Account 1410 (including prepaid OPEB) meet the used-and-useful standard, we will allow that asset to be included in the interstate rate base.”²

Brazos’s request in this letter is similar to that made by Roosevelt County Rural Telephone Cooperative Inc. (Roosevelt) in a letter to the Wireline Competition Bureau dated October 25, 2004 (Roosevelt OPEB Letter Request).³ In its letter, Roosevelt requested Commission approval to include in its rate base the interstate portion of prepaid post-retirement health benefits recorded in Account 1410. On March 14, 2006, the Commission released an order (Roosevelt OPEB Order) granting Roosevelt’s request.⁴

Petition

In accordance with section 65.820(c) of the Commission’s rules, Brazos seeks approval to include the interstate portion of its prepaid Accumulated Post-retirement Benefit Obligation (APBO) in its rate base. For the 2006 cost separations study, the addition to the average rate base would be approximately \$1,500,000. The estimated interstate access portion of this addition to the 2006 cost study year rate base would be \$431,430, and the estimated interstate return on the interstate portion of the prepaid APBO would be \$64,777 at the current 11.25% interstate rate of return. While the size of the increased settlement is significant to Brazos, we believe that any impact on the overall NECA pool revenue requirements and universal service funding would be *de minimis*.

Brazos’s accumulated prepaid amounts associated with OPEB are maintained in a trust with NTCA. The amounts earn interest and serve to reduce the annual expenses associated with OPEB obligations. Therefore, Brazos’s prepaid OPEB amounts meet the Commission’s used-and-useful standard. Attached is a letter from the NTCA attesting to these facts.

Based on the fact that Brazos’s prepaid OPEB amounts meet the Commission’s used-and-useful standard and consistent with the Roosevelt OPEB Order in response to the Roosevelt OPEB Letter Request, Brazos requests that the Commission grant authority for Brazos to include in its rate base the interstate portion of the prepaid OPEB amounts recordable in Account 1410 effective with the date that such prepayments were made.

Please direct any requests for information or questions in regard to this petition to:

¹ 47 C.F.R. § 65.820(c).

² Responsible Accounting Officer Letter 20, Uniform Accounting for Postretirement Benefits Other Than Pensions in Part 32, Amendments to Part 65, Interstate Rate of Return Prescription Procedures and Methodologies, Subpart G, Rate Base, CC Docket No. 96-22, Report and Order, 12 FCC Rcd 2321, FCC 97-56n (Rel. Feb 20, 1997) (“Part 65 OPEB Treatment Order”) at Par. 12.

³ Letter from Scott Arnold, General Manager, Roosevelt County Rural Telephone Cooperative, Inc., to Chief, Wireline Competition Bureau, Federal Communications Commission (October 25, 2004).

⁴ Roosevelt County Rural Telephone Cooperative, Inc. Petition to Include the Interstate Portion of a Prepaid Accumulated Post-retirement Benefit Obligation, Recorded in Account 1410, in the Rate Base, WCB/Pricing 05-31, Order, FCC 06-31 (rel. March 14, 2006).

CHR Solutions, Inc.
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Yours truly,

A handwritten signature in black ink, appearing to read "Richard D. Adams", written over a horizontal line.

Richard D. Adams
Executive Vice President / General Manager
Brazos Telephone Cooperative, Inc.

Attachment